GOVERNMENT OF INDIA
COMMUNICATIONS
LOK SABHA

STARRED QUESTION NO:203
ANSWERED ON:06.08.2001
CELLULAR LICENCES
AJAY SINGH CHAUTALA;DR. KIRIT SOMAIYA

Will the Minister of COMMUNICATIONS be pleased to state:

(a) whether the Department of Telecommunications (DoT) has recently issued licences to the private bidders for the fourth cellular slot in 17 circles in the country;

(b) if so, the details of the companies to whom licences have been issued;

(c) the terms and conditions laid down for granting said licences;

(d) whether there has been gross violations of tender norms in offering the said licences as reported in the `Times of India` dated July 11, 2001;

(e) if so, the details thereof along with the reasons therefor; and

(f) the steps taken/proposed to be taken in the matter?

Answer

THE MINISTER OF COMMUNICATIONS (SHRI RAM VILAS PASWAN)

(a) to (f): A statement is laid on the Table of the House.

STATEMENT TO BE LAID ON THE TABLE OF THE LOK SABHA IN RESPECT OF PARTS (a) TO (f) OF LOK SABHA STA QUESTION NO. 203 FOR 6th AUGUST, 2001 REGARDING CELLULAR LICENCES.

(a) & (b): Sir, based on a bidding process, successful bidders have been declared and demand letters for payment of quoted entry fee have been issued on 31/7/2001 towards award of fresh cellular licences in 17 Service Areas in the country. The name of successful bidder companies, the Service Area for which the said demand letters have been issued and the quoted entry fee is given in the Annexure-I. The bidders are required to pay the quoted entry fee up-front after which Letters of Intent(LOI) shall be issued for award of licences. The Licences shall be awarded based on fulfilment of terms and conditions of LOI.

(c) The salient features of the terms and conditions for granting the Cellular Licences are given in Annexure-II.

(d) No, Sir.

(e) While evaluating the pre-qualification bids it was found that two Reliance group companies namely, M/s. Reliable Internet Services Limited and Reliance Communications Private Limited had submitted their bids for 15 Service Areas each. From the equity holding of these two companies, it was found that none of their partners are common and as such there was no violation per-se of the eligibility criteria prescribed in the Tender Document. However, in order to ensure fair competition all the bidders were asked to confirm that there is no common interest of any of the partners/promoters/constituents in any other bidding company who has bid for the same service area and in case there is any common interest, only one bid for a service area shall be considered. In response to this, M/s. Reliance Communications Private Limited chose to withdraw all the bids submitted by them for 15 Service Areas. This was allowed to the company. The Earnest Money Bank Guarantee (EMBG) and Financial Bids were returned to the company before the first stage Financial Bids were scheduled to be opened. Disallowing one of the bids has ensured fair competition in the bidding process.

EMBG can not be forfeited in the situation where a bidder is disqualified in the pre-qualification stage or opted to withdraw the bids in terms of option given by the Government.

(f) Does not arise in view of (d) and (e) above.

ANNEXURE-I

Service Area No. of Slots Name of successful Bidder Entry fee applicable (Rs. in Cr)

(Metro Cities)

Mumbai 1 M/s Bharti Cellular Ltd. 203.66
Kolkatta 1 M/s Reliable Internet Services Ltd. 78.01
Delhi 1 M/s Birla AT&T Communications Ltd. 170.70
Chennai 1 M/s Barakhamba Sales & Services Ltd. 154.00

(Telecom Circles)

Andhra Pradesh 1 M/s Barakhamba Sales & Services Ltd. 103.01
Gujarat 1 M/s Bharti Cellular Ltd. 109.01
Haryana 1 M/s Bharti Cellular Ltd. 21.46
Himachal Pradesh1 M/s Escorts Telecommunications Ltd. 1.10
Karnataka 1 M/s Barakhamba Sales & Services Ltd. 206.83
Kerala 1 M/s Bharti Cellular Ltd. 40.54
Madhya Pradesh 1 M/s Bharti Cellular Ltd. 17.4501
Maharashtra 1 M/s Bharti Cellular Ltd. 189.00
Punjab 1 M/s Escorts Telecommunications Ltd. 151.75
Rajasthan 1 M/s Escorts Telecommunications Ltd. 32.25
Tamilnadu 1 M/s Bharti Cellular Ltd. 79.00
UP-West 1 M/s Bharti Cellular Ltd. 30.55
UP-East 1 M/s Escorts Telecommunications Ltd. 45.25

ANNEXURE-II

SALIENT FEATURES OF THE TERMS AND CONDITIONS OF THE TENDER FOR GRANTING FRESH CELLULAR S LICENCES.

1. The bidder must be an Indian company, registered under the Indian Companies Act, 1956.

2. The bidder company can apply for any number of service areas subject to fulfillment of all the conditions of entry such as networth, paid up equity and experience etc.

3. The licence for Cellular Mobile Telephone Service (CMTS) will be issued on non-exclusivebasis, for a period of 20 years, further extendable by 10 years at one time.

4. The total foreign equity in the bidder company must not exceed 49% at any time during the entire licence period.

5. The licences shall be awarded based on the tendering process structured as `Multi-Stage Informed Ascending Bidding Process`.

6. The networth of company shall be Rs. 30 crores, Rs. 50 crores and Rs. 100 crores and paid up equity shall be Rs. 3 crore, Rs. 5 crore and Rs. 10 crores for category `C`, `B` and `A` Service Areas, respectively.Networth is to be added for the Service Areas bid for.

7. A promoter company cannot have stakes in more than one Bidder Company for the same service area.

8. The existing licensees cannot bid for the same service area.

9. The bidder company and/or its promoters should have experience in telecom sector.

10. The successful bidder will be required to pay one time Entry Feebased on final bid, furnish Financial Bank Guarantee (FBG) plus Performance Bank Guarantees (PBG) and furnish`No Dues Certificate` from Departmentof Telecom in respect of all payments arising out of any license granted under Section 4 of Indian Telegraph Act, 1885 (including Indian Wireless Telegraphy Act 1933) to the successful Bidder company or any promoter/partner or associate/sister concern thereof before signing the Licence Agreement.

11. The licence fee for cellular services, for new as well as existing operators, shall be at par with Basic Services at 12% of ` Adjusted Gross Revenue`(AGR) for Metro Service Areas and category `A` circles, 10% of AGR for category `B` Circles and 8% of AGR fo category `C` Circles, excluding spectrum charges.

12. In addition, the cellular licensees shall pay spectrum charges on revenue share basis at 2% of AGR for spectrum upto 4.4 MHz (or 3% of AGR for spectrum upto 6.2 MHz, as the case may be).

13. The frequencies shall be assigned from the designated bands prescribed in National Frequency Allocation Plan-2000 (NFAP-2000). Appropriate frequency spots in Cellular band of 890-915 MHzpaired with 935-960 MHz will be assigned to operators selected

for vacant slots and 1710-1785 MHz paired with 1805-1880 MHz will be assigned to fourth cellular operator.

14. Minimum roll-out obligation: In Telecom Circles, atleast 10% of the District Headquarters (DHQs)will be covered in the first year and 50% of the District Headquarters will be covered within three years of effective date of Licence.The licensees shall also be permitted to cover any other town in a District in lieu of the District Headquarters.The District Headquarters shall be taken as on the effective date of licence.